

W. Scott Randolph  
Director – Regulatory Affairs



October 29, 2002

Verizon Communications  
1300 I Street  
Suite 500E  
Washington, DC 20005

Phone: 202 515-2530  
Fax: 202 336-7922  
srandolph@verizon.com

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

**Ex Parte: Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements, CC Docket No. 98-171; Telecommunications Services for Individuals with Hearing and Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Numbering Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116**

Dear Ms. Dortch:

Verizon supports the Commission's commitment to ensuring the affordability and availability of telecommunications service to all Americans, consistent with the goals of the 1996 Act. Ensuring the ongoing stability of the funding sources for the Commission's universal service programs is vital to achieving those goals. To advance that goal, Verizon has supported significant modification of the current assessment method to address concerns raised by various contributors. In support of those changes, Verizon has supplied detailed analysis, which have been commented on by parties over the course of the proceeding.

In contrast, Verizon is concerned that there is no adequate quantification in the public record on the impact of some alternative proposals. Most recently, several proponents of connection-based proposals have made fundamental changes to their plans and in some cases, parties are suggesting entirely new approaches that have not been adequately aired in the record. Specifically, on October 10, 2002, the Coalition for Sustainable Universal Service ("CoSUS") revised its connection-based methodology such that "the initial connection-based assessment rate for switched multiline business be set at three times the residential/single line business/wireless assessment rate."<sup>1</sup> Also, on October 10, 2002, SBC and BellSouth proffered a significant revision to their proposed connection-based assessment on interstate special access services, changing the contribution level for one type of high capacity service from 40 assessment units to

---

<sup>1</sup> CoSUS *ex parte* letter to Ms. Marlene Dortch from John T. Nakahata, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, NSD File No. L-00-72; and CC Docket Nos. 99-200, 95-116, 98-170, October 3, 2002, at 2. Note that the Ad Hoc Telecommunications Users Committee ("Ad Hoc"), which was an original member of CoSUS, now opposes different assessments for residence and business switched services of the same capacity. Ad Hoc *ex parte* letter to Ms. Marlene Dortch from James S. Blaszkak, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, NSD File No. L-00-72; and CC Docket Nos. 99-200, 95-116, 98-170, October 22, 2002, at 2.

9,750.<sup>2</sup> Most drastically, on October 22, 2002, AT&T withdrew its support of the CoSUS proposal and recommended “adopting an assessment mechanism triggered by assigned end user working telephone numbers.”<sup>3</sup> Significantly, this last proposal included no financial analysis and was not raised in the Commission’s Further Notice.

In addition, several parties have argued that there would be significant administrative difficulties in implementing many of the connection-based proposals. These include a recent admission by CoSUS members that full implementation of a connection-based plan would take at least a year, assuming it did not incur significant programming costs in the interim.<sup>4</sup> Many parties to this proceeding have also raised serious legal concerns with some connection-based approaches, particularly the proposals advocated by CoSUS.

The Commission must base any decision in this proceeding on a fully supportable record. The record is clear that the consumer impact of the various connection-based proposals is uncertain, as evidenced by the wide range of estimates of the multi-line business assessment rate.<sup>5</sup> And, certainly, without further notice and comment, the Commission cannot adopt an assessment method that has only recently been introduced in a few scant *ex partes*.

For these reasons, Verizon urges the Commission to adopt a modified interstate revenue-based assessment methodology, using a collect-and-remit approach. Under Verizon’s proposal, carriers would contribute to the universal service funds based on interstate revenues they collect, and could recover their contribution amounts from end user customers based on the USAC-derived factor plus a limited administrative mark-up, subject to a “safe harbor” cap. The Commission also should adjust the wireless carrier safe harbor to reflect the increased proportion of interstate wireless calling since the initial safe harbor level was set.<sup>6</sup> Moving to a collect-and-remit system and re-calibrating the wireless safe harbor would address the immediate concerns raised by those who have questioned the sustainability of the current assessment method.<sup>7</sup> In fact, the problems caused by lags in the current system have nothing to do with the basis for contributions (revenues, connections, or telephone numbers), and can only be

---

<sup>2</sup> Joint SBC - BellSouth *ex parte* letter to Ms. Marlene Dortch from Jamie M. Tan, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 and NSD File No. L-00-72, October 10, 2002, at 2.

<sup>3</sup> AT&T *ex parte* letter to Ms. Marlene Dortch from Robert W. Quinn, Jr., CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 and NSD File No. L-00-72, October 22, 2002, at 2.

<sup>4</sup> CoSUS *ex parte* letter to Ms. Marlene Dortch from John T. Nakahata, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, and NSD File No. L-00-72, October 9, 2002. See also, Sprint *ex parte* letter to Ms. Marlene Dortch from Richard Juhnke, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, and 95-116, September 17, 2002.

<sup>5</sup> Compare, estimates of the multiline business assessment level: CoSUS, December 21, 2001 (\$2.50 to \$3.00); CoSUS, September 20, 2002 (clarification that \$2.50 to \$3.00 represented averages of Centrex and non-Centrex assessments, and that non-Centrex would be \$3.50 to \$4.00); Ad Hoc, October 3, 2002 (“it now appears as though the \$4.00 estimate is too low”); Verizon Wireless, October 3, 2002 (\$4.80); Verizon, September 6, 2002 (\$4.77).

<sup>6</sup> See CTIA *ex parte* letter to Ms. Marlene Dortch from Michael Altschul, September 30, 2002; and Verizon Wireless *ex parte* of October 28, 2002 (proposing a methodology to be used to determine wireless interstate usage), CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 and NSD File No. L-00-72. In addition to adjusting the safe harbor cap, the Commission should make clear that wireless carriers would be allowed to file based on actual levels of interstate calling.

<sup>7</sup> AOL Time Warner says: “reform of the revenue-based methodology, including moving to a collect and remit system and reassessing the wireless safe harbor, could address the immediate problem of declining interstate revenues consistent with statutory requirements.” AOL Time Warner Inc. *ex parte* letter to Ms. Marlene Dortch from Linda L. Kent, CC Docket No. 96-45, October 9, 2002. AT&T Wireless also “Support[s] interstate revenue based ‘collect and remit’ regime” and recommends the Commission “Maintain/fine tune wireless safe harbor.” See AT&T Wireless Services, Inc. *ex parte* letter to Ms. Marlene Dortch from Howard J. Symons, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-115, 96-149, 00-257, 98-68, 01-92, 01-338, 01-318, 01-321, 99-200, October 21, 2002, at 2.

Ms. Marlene H. Dortch  
October 29, 2002  
Page 3

resolved by adoption of a collect-and-remit methodology. Revision of the wireless safe harbor would broaden the base of contributions, and mitigate increases in the contribution factor that would otherwise occur. Further, markups built into an individual contributors' end-user recovery charges for uncollectibles and time lags would be eliminated, and markups for administrative expenses would be sharply limited. Taken together, these changes would ensure that the actual universal service charges most customers would see on their bills would actually be reduced in the first half of next year.<sup>8</sup>

Finally, implementation of a revenue-based collect-and-remit system would also give the Commission additional time to further develop the record to determine whether additional modification of the assessment method is warranted, and if so, how best to balance the contribution levels from different classes of consumers and reduce the administrative difficulties in implementing any new system.

Please associate this notification with the record in the proceedings indicated above. If you have any questions regarding this matter, please call me at (202) 515-2530.

Sincerely,



W. Scott Randolph

cc: C. Libertelli  
M. Brill  
D. Gonzalez  
J. Goldstein  
W. Maher  
C. Matthey  
E. Einhorn

---

<sup>8</sup>

In its *ex parte* letter of October 22, 2002, AT&T suggests that failure to implement its latest number-based proposal by April 1, 2003, would result in a significant increase in its end-user charges for USF recovery. For the reasons explained above, no such increase would occur if the current plan is modified as Verizon proposes. As AT&T states in its *ex parte*, the current assessment rate of 7.28% has led AT&T to bill its residential customers at 11% to account for the time lag, uncollectibles, and unbillables. Verizon's proposal would almost entirely eliminate the basis for this difference.